

# **Economic Development Corporation of the City of River Rouge, Michigan**

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**Financial Report**

**June 30, 2008**

# **Economic Development Corporation of the City of River Rouge, Michigan**

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**GREGORY  
TERRELL  
& COMPANY**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Economic Development Corporation  
of the City of River Rouge, Michigan

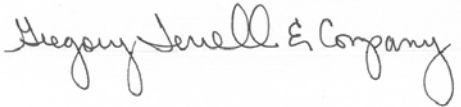
We have audited the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan, (a component unit of the City of River Rouge) as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Economic Development Corporation of the City of River Rouge, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As further described in Note I, the accompanying financial statements do not purport to present, and do not present, the financial position and results of operations of the Economic Development Corporation of the City of River Rouge, Michigan in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements depart from generally accepted accounting principles due to the failure of the Economic Development Corporation of the City of River Rouge, Michigan to adopt new financial reporting requirements.

In our opinion, because of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Economic Development Corporation of the City of River Rouge, Michigan as of June 30, 2008, or results of its operations for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2008, on our consideration of the Economic Development Corporation of the City of River Rouge, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light background.

GREGORY TERRELL & COMPANY  
Certified Public Accountants

December 29, 2008

# Economic Development Corporation of the City of River Rouge, Michigan

## Balance Sheet June 30, 2008

		General Long-term Debt Operating Fund    Account Group
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 189,829	\$ -
Loans receivable (Note 3)	6,409	-
Land contracts receivable (Note 4)	2,229	-
Due from primary government	5,385	-
Amount to be provided for long-term debt	-	69,914
Total assets	<u>\$ 203,852</u>	<u>\$ 69,914</u>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Security deposits	\$ 13,144	\$ -
Long-term debt (Note 6)	-	69,914
Total liabilities	13,144	69,914
<b>Fund Balance</b>		
Reserved (Note 5)	3,738	-
Unreserved	186,970	-
Total fund balance	190,708	-
Total liabilities and fund balance	<u>\$ 203,852</u>	<u>\$ 69,914</u>

# **Economic Development Corporation of the City of River Rouge, Michigan**

## **Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2008**

<b>Revenue</b>	
Rental income - Building	\$ 217,801
Rental income - Sprint Tower	40,731
Interest	1,715
Miscellaneous revenue	<u>5,074</u>
Total revenue	265,321
<b>Expenditures</b>	
Project expenses	167,697
Rental property expenses	177,993
Debt service	<u>18,602</u>
Total expenditures	<u>364,292</u>
<b>Excess of Expenditures Over Revenue</b>	(98,971)
<b>Other Financing Sources</b> - Operating transfers from primary government	<u>49,177</u>
<b>Net Change in Fund Balance</b>	(49,794)
<b>Fund Balance</b> - July 1, 2007	<u>240,502</u>
<b>Fund Balance</b> - June 30, 2008	<u><u>\$ 190,708</u></u>

# **Economic Development Corporation of the City of River Rouge, Michigan**

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**Notes to Financial Statements  
June 30, 2008**

## **Note I - Significant Accounting Policies**

The Economic Development Corporation of the City of River Rouge, Michigan (the "Corporation") is organized pursuant to the State of Michigan, Public Act No. 338 of 1974, as amended, and to a City of River Rouge resolution. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the issuance of limited obligation revenue bonds by the Corporation. The Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefited enterprise agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds. The Corporation has no obligation to repay the revenue bond beyond any repayments or lease rentals received from the benefited enterprise.

The accounting policies of the Corporation do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Corporation has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the financial statements exclude the management's discussion and analysis, and furthermore, the Corporation has continued to report information by account group and has excluded accumulated depreciation on general fixed assets.

The Corporation is a discretely presented component unit of the City of River Rouge, Michigan and is included in the general purpose financial statements of the City of River Rouge, Michigan at June 30, 2008.

### **Fund Accounting**

The accounts of the Corporation are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The fund of the Corporation consists solely of a governmental fund type.

# **Economic Development Corporation of the City of River Rouge, Michigan**

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**Notes to Financial Statements  
June 30, 2008**

## **Note 1 - Significant Accounting Policies (Continued)**

### **Basis of Accounting**

The Corporation utilizes the modified accrual method of accounting. Modifications in such method from the accrual basis are as follows:

- a. Noncurrent receivables, such as long-term loans, are recorded at full value and fund balance is reserved for the portion not available for use to finance operations as of year end.
- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.

## **Note 2 - Cash and Cash Equivalents**

The Corporation's cash and cash equivalents at June 30, 2008 are composed solely of bank deposits. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$207,557. Of that amount, \$152,914 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

## **Note 3 - Loans Receivable**

At June 30, 2008, loans receivable consist of several loans issued by the Economic Development Corporation of the City of River Rouge, Michigan to finance various community development projects. These loans bear interest ranging from 0 percent to 5 percent and are receivable in total monthly principal and interest installments of approximately \$5,100 through April 2009. The current and long-term portions of this receivable are \$2,671 and \$3,738, respectively.

# Economic Development Corporation of the City of River Rouge, Michigan

## Notes to Financial Statements June 30, 2008

### Note 4 - Land Contracts Receivable

During a prior year, the Economic Development Corporation of the City of River Rouge, Michigan sold two buildings on land contracts. The notes receivable bear interest ranging from 6.5 percent to 8 percent and are receivable in total monthly principal and interest installments through September 2008. The current portion of these receivables is \$2,229.

### Note 5 - Reserved Fund Balance

Fund balance has been reserved for noncurrent receivables of \$3,738.

### Note 6 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the Economic Development Corporation at June 30, 2008:

General Obligation Debt	Balance July 1, 2007	Additions	Debt Retired	Balance June 30, 2008
Note payable issued in the amount of \$90,000				
Payments of \$926, including interest at 7.00 percent, are due monthly with a final balloon payment due on December 19, 2012	\$ 83,017	\$ -	\$ (13,103)	\$ 69,914

#### Debt Service Requirements

The annual requirements to service debt outstanding as of June 30, 2008, including both principal and interest, are as follows:

	Principal	Interest	Total
2009	\$ 5,870	\$ 5,242	\$ 11,112
2010	6,294	4,818	11,112
2011	6,749	4,363	11,112
2012	51,001	2,645	53,646
Total	\$ 69,914	\$ 17,068	\$ 86,982

# **Economic Development Corporation of the City of River Rouge, Michigan**

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**Notes to Financial Statements  
June 30, 2008**

## **Note 6 - Long-term Debt (Continued)**

### **Interest**

Interest incurred for the Economic Development Corporation for the year totaled \$5,589.

## **Note 7 - Risk Management**

The Corporation is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Corporation has purchased commercial insurance for property loss claims and was uninsured for general liability claims from June 30, 1991 to December 31, 1995. From December 1995 through November 2001, the Corporation participated in the Michigan Municipal League risk pool for both property loss and general liability claims.

On December 1, 2001, the Corporation joined the Michigan Municipal Risk Management Authority (the "Authority"). This risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Corporation.

The Corporation estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates related to the City are recorded in the basic financial statements at June 30, 2008. Total estimated liabilities and claims paid by the Corporation were insignificant for the year ended June 30, 2008.



**GREGORY  
TERRELL  
& COMPANY**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Economic Development Corporation  
of the City of River Rouge, Michigan

We have audited the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan (a component unit of the City of River Rouge) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan (the "EDC"), for the year ended June 30, 2008, we considered the EDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects the EDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the EDC's financial statements that is more than inconsequential will not be prevented or detected by the EDC's internal control.

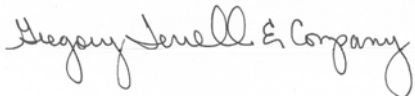
A material weakness is a significant deficiency or a combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the EDC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EDC's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the State of Michigan, Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



GREGORY TERRELL & COMPANY  
Certified Public Accountants

December 29, 2008